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STATE PASS FOR USITC
USITC FOR L.M. SCHLITT

E.O. 12958: N/A

TAGS: [ECON](#) [ENRG](#) [ETRD](#) [EU](#)

SUBJECT: USITC INFO REQUEST ON BIO-BASED CHEMICAL PRODUCTS
AND LIQUID BIOFUELS

REF: STATE 133131

¶1. Summary. In response to reftel USITC request, Post submits the following overview of activities related to bio-based chemicals and liquid biofuels. The European Union has a broad array of programs and organizations dealing with the development and adoption of bio-based chemical products and liquid biofuels. The EU is actively supporting the use of biofuels and has set a voluntary target of 5.75 percent biofuels use for transport by 2010. In March 2007, EU leaders agreed to a 10 percent level of biofuels use in the fuel supply by 2020. The EU Common Agricultural Policy supports biofuel crop production, including a "Carbon Credit" which gives EU farmers 45 EUR per hectare of fuel crops they cultivate. EU trade policy does include barriers to imports of bio-diesel and ethanol. However, because the EU is the largest producer of bio-diesel and many ethanol exporters benefit from preferential trade agreements, the overall trade impact is minimal. The EU is also actively encouraging research in biofuels and biotechnology. Under the EU Commission's Sixth Framework Programme the EU is currently funding a number of biofuel and biomass related projects. The Seventh Framework Programme defines the research activities the EU will pursue from 2007-2013 and includes funding for research on biofuels and biotechnology.

EU BIOFUELS POLICY

¶2. The EU has a voluntary target of 5.75 percent biofuels use for transport by 2010. So far, none of the member states are close to reaching this goal. In March 2007, EU leaders agreed to a 10 percent level of biofuels use in the fuel supply by 2020. The European Commission is now in the process of drafting the directive that would implement that decision and it is scheduled to be delivered to the European Council and Parliament in January 2008. There is also a fuel quality directive making its way through the Parliament at the moment which has biofuels provisions, including ones on sustainability.

EU communication establishing 5.75 target:
<http://ec.europa.eu/agriculture/biomass/biofu el/com2006 34 en.pdf>

EU AGRICULTURAL POLICY

¶3. The EU Common Agricultural Policy (CAP) supports bio-fuel crop production. Fuel crops are exempt from set-aside requirements and, since 2003, generate incentive payments for

farmers. The 2003 CAP reform introduced the "Carbon Credit" which gives EU farmers 45 EUR per hectare of fuel crops they cultivate. With approximately 2.84 million hectares now in production, the EU has actually had to cut back on the amount they give farmers as the goal of 2 million hectares has been surpassed.

EU Commission's "Report from the Commission to the Council on the review of the energy crops scheme":
http://ec.europa.eu/agriculture/biomass/biofuel/com2006_500_en.pdf

14. The U.S. Department of Agriculture's Foreign Agricultural Service Office at the U.S. Mission to the EU is the lead agency on agricultural policy and biofuels. They produce numerous reports all of which are published on the Global Agricultural Information Network (GAIN).

Highlights from this year's GAIN reports include:

"EU Commission Publishes Assessment of 10 Percent Bio-Fuel Obligation, 2007"
http://www.fas.usda.gov/gainfiles/200708/1462_91987.pdf

"EU Biofuels Annual, 2007"
http://www.fas.usda.gov/gainfiles/200707/1462_91616.pdf

"EU Agriculture Council Backs Changes in Sugar Restructuring Scheme, 2007"
http://www.fas.usda.gov/gainfiles/200709/1462_554.pdf

"EU-27 Oilseeds and Products Annual, 2007"
http://www.fas.usda.gov/gainfiles/200706/1462_91409.pdf

"EU-27 Sugar Annual, 2007"

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<http://www.fas.usda.gov/gainfiles/2007>

"EU-27 Annual Biotechnology Report, 2007"
http://www.fas.usda.gov/gainfiles/200706/1462_91311.pdf

EU TRADE POLICIES

15. Currently, there are no specific customs classifications for biofuels. Bio-diesel imported to the EU is subject to an ad valorem duty of 6.5 percent. However, because the EU is the world's largest producer of bio-diesel, the trade impacts of this duty are minimal. Bio-ethanol is treated under code 2207, which applies to both denatured and undenatured alcohol. Under this code, import duties of 19.2 EUR/hl for undenatured alcohol and 10.2 EUR/hl for denatured alcohol are applied. Much of the ethanol imported, however, comes from countries that have preferential trade agreements which can significantly reduce if not eliminate these tariffs. Furthermore, the EU is currently considering instituting separate nomenclature codes for biofuels that would allow for better tracking of imports and use specific tariffs.

More information about the EU's trade policies with regards to biofuels can be found in the EU Commission's 2006 Communication: "An EU Strategy for Biofuels."
http://ec.europa.eu/energy/res/biomass/action_plan/doc/2006_02_08_comm_eu_strategy_en.pdf

RESEARCH - THE SIXTH FRAMEWORK PROGRAMME

16. The EU is also actively encouraging research in biofuels and biotechnology. Under the European Commission's Sixth Framework Programme (FP6), the below projects fall under the USITC request. This list is representative, but not necessarily exhaustive of the projects included under FP6,

-- Pre-normative research on solid biofuels for improved

European standards. Website:

<http://cordis.europa.eu/fetch?CALLER=FP6 PROJ&ACTION=D&DOC=6&CAT=PROJ&QUERY=11921068106389&RCN=81405>

-- Biofuels Technology Platform Secretariat. Website:

<http://cordis.europa.eu/fetch?CALLER=FP6 PROJ&ACTION=D&DOC=10&CAT=PROJ&QUERY=1192106810639&RCN=73983>

-- New Burner Technologies for Low Grade Biofuels to Supply Clean Energy for Processes in Biorefineries. Website:

<http://cordis.europa.eu/fetch?CALLER=FP6 PROJ&ACTION=D&DOC=11&CAT=PROJ&QUERY=1192106810639&RCN=73984>

-- Increased renewable energy recovery from biomass by highly efficient disruption process. Website:

<http://cordis.europa.eu/fetch?CALLER=FP6 PROJ&ACTION=D&DOC=5&CAT=PROJ&QUERY=1192106810639&RCN=81636>

RESEARCH - THE SEVENTH FRAMEWORK PROGRAMME

17. The European Commission's Seventh Framework Programme (FP7) defines the research activities the European Union will pursue from 2007-2013. FP7 earmarks EUR 2.35 billion for energy research covering a broad range of technologies, including renewable fuel production. The renewable fuel activity is subdivided into seven areas: first generation biofuel from biomass; second generation fuel from biomass; biorefinery; biofuels from energy crops; alternative routes to renewable fuel production; biofuel use in transport; and cross-cutting issues.

More information on the renewable fuel production activity can be found at:

<http://cordis.europa.eu/fp7/energy/about3 en.html>

18. FP7 also dedicates EUR 1.9 billion for research on "Food, Agriculture and Fisheries, and Biotechnology." The biotechnology portion will focus on:

-- Improvement of raw materials and biomass: research for improved crops, forest products, feed-stocks, marine products and biomass for energy, the environment and high yield products.

-- Bioprocesses and products based on renewables: novel farming systems, bio-process and biorefinery concepts, and

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bio-catalysis; new and improved micro-organisms and enzymes; and forestry and forest-based products and processes.

-- Environmental biotechnology: utilization of agro-industrial wastes and byproducts, environmental bio-remediation and cleaner bioprocessing.

The FP7 home page is available at:

<http://ec.europa.eu/research/fp7/index en.cfm>

More information on biotechnology related issues in FP7 can be found at: <http://cordis.europa.eu/fp7/kbbe/home en.html>

ADDITIONAL RESEARCH/REPORTS

19. Additional academic research, industry reports, and government publications on EU policies relating to the development and adoption of bio-based chemical products and liquid biofuels published since 2004 include:

-- Council of Ministers endorsed the EU Life Science and Biotechnology Strategy, May 21, 2007. Available at: www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/intm/94184.pdf

-- EuropaBio (The European Association for Bioindustries) web page on the Mid Term Review of the EU's Life Science and Biotechnology Strategy. Website: www.europabio.org/eu_strategy.htm

-- Energy Charter Secretariat "Driving Without Petroleum? A Comparative Guide to Biofuels, Gas-to-Liquids and Coal-to-Liquids as Fuels for Transportation." Available at: <http://www.encharter.org/index.php?id=229>

-- European Commission Joint Research Centre "Consequences, Opportunities and Challenges of Modern Biotechnology in Europe," 2007. Available at: <http://bio4eu.jrc.es/documents/Bio4EUsynthesisreportEUR22728EN.pdf>

LEADING FIRMS AND ORGANIZATIONS

¶10. A number of firms and organizations throughout the EU are active in the fields of bio-based chemical products and liquid biofuels. Below is a representative list of firms and organizations with a broad European or EU-wide focus:

European Commission, Directorate General for Energy and Transport (DG-TREN)
website: http://ec.europa.eu/dgs/energy_transport/index_en.thml

EU Biofuels Technology Platform
website: <http://www.biofuelstp.eu>

EuropaBio (The European Association for Bioindustries)
website: <http://www.europabio.org>

BioFuels Europe Ltd.
website: <http://www.biofuels-europe.com>

USEU POC

¶11. USEU/ECON contacts for further USTIC information requests are Richard Frost (biofuels), FrostR@state.gov, 32-2-508-2018 and Rob Dollinger (biotech and bio-research), DollingerRA@state.gov, 32-2-508-2637. USEU/FAS contact for further USTIC information requests is: David Leishman, david.leishman@fas.usda.gov, 32-2-508-2760

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